
EXHIBIT D

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- Identify market needs and introduce a new line of security products for paper by year 2005.
- Introduce a new line of encoded security products by year 2006.
- Introduce new products that are assembled and are value-added, thus increasing margins.
- Establish joint venture with antenna/receiver manufacturer.

6.4.4 Sales Strategy

The primary sales focus in the initial stages of marketing will be to sell to retail, drug, and grocery businesses. We currently have three individuals who will be responsible for sales, marketing, and promotion. We will be adding five more people during year 2004 as Demodulation products become fully developed.

Our sales force will sell direct to retailers, merchandisers, tagging and label manufacturers for the first two-three years. We anticipate our sales group expanding significantly in the next ten years covering North America and world markets. Additional markets will include security, ticketing and paper manufacturers. Our plan is to have five regional offices initially located in the Northeast, Mid Atlantic, South, Midwest and West by end of year 2004. The groups will be supported technically from our corporate engineering development facility. This demonstration facility will provide applications testing and evaluation studies that will result in proof of product and design support for the field sales staff.

Demodulation LLC intends to hire the best sales professionals available in the field of Security and EAS systems. At our applications development center we will provide training and strategy for our staff. This staff will be equipped with the best technical support personnel in the world. All product selling will be engineering-oriented. Our sales staff will be directed to be aggressive and focused with specific targeted goals. Although the sales staff will be on salary we will provide a sales incentive structure that will be based on a percentage of sales (0.5%) within his/her territory. Once product development and application testing is complete, Demodulation LLC expects each salesman to be able to handle \$15 million in sales volume.

Management will initially identify customer prospects and leads, thereby ensuring the alignment of sales efforts with corporate goals. Each territory will receive the contact information and a complete overview of the customer, the market segment, and the specific value that Demodulation LLC can provide with its products. Once customer acquisition has been attained, the Sales Managers will be responsible for providing sales growth plans within their respective territories. These growth plans include personnel requirements and the implementation of SAP (Sales Automated Process). All information from leads and customer visits will be monitored and shared throughout the organization.

Monthly sales projections and forecasting will be an integral part of our management philosophy. All necessary resources will be allocated to achieve the targeted objectives in each region.

6.4.5 Sales Forecast

	2003	2004	2005	2006	2007
Number of pieces sold (M)	160	500	1,200	7,000	30,000
Price/part (\$/Unit)	.01	.01	.01	.01	.01
Dollar Sales (\$000)	1,600	5,000	12,000	70,000	300,000

*Demodulation LLC Proprietary and Confidential Information***6.4.5.1 SALES BY MARKET SEGMENT FORECAST (NON-ENCODED)**

		Sales \$(000)				
		2003	2004	2005	2006	2007
EAS SYSTEMS						
Source Tagging	\$	-	\$ 500	\$ 2,000	\$ 12,000	\$ 38,850
Books	\$	-	\$ 200	\$ 500	\$ 2,000	\$ 8,000
Clothing	\$	-	\$ 500	\$ 750	\$ 3,000	\$ 20,000
Labels	\$	100	\$ 500	\$ 750	\$ 10,000	\$ 50,000
Retail Stores	\$	1,500	\$ 2,000	\$ 5,100	\$ 37,210	\$150,000
SECURITY PAPERS						
Bank Notes	\$	-	\$ -	\$ -	\$ 20	\$ 100
Checks	\$	-	\$ 20	\$ 250	\$ 1,000	\$ 5,000
Stamps	\$	-	\$ -	\$ -	\$ 10	\$ 500
Lottery Tickets	\$	-	\$ 20	\$ 50	\$ 250	\$ 1,000
Tickets/Vouchers	\$	-	\$ 500	\$ 1,000	\$ 1,000	\$ 10,000
Passports	\$	-	\$ -	\$ -	\$ -	\$ 500
Traveler Checks	\$	-	\$ -	\$ 50	\$ 10	\$ 50
High Security Paper	\$	-	\$ 250	\$ 500	\$ 1,000	\$ 5,000
Credit Cards	\$	-	\$ 500	\$ 1,000	\$ 2,000	\$ 10,000
Casino Chips	\$	-	\$ 10	\$ 50	\$ 500	\$ 1,000
TOTAL		\$ 1,600	\$ 5,000	\$ 12,000	\$ 70,000	\$300,000
<ul style="list-style-type: none"> • Sales are non-encoded products only and are on/off applications! • Sales do not include the leasing and/or sale of electronic receivers or transmitters! 						

*Demodulation LLC Proprietary and Confidential Information***6.4.5.2 SALES BY MARKET SEGMENT FORECAST (ENCODED)****Not included in Sales/Financial Plan**

		Sales \$(000)				
		2005	2006	2007	2008	2009
EAS SYSTEMS						
Source Tagging	\$ -	\$ 5	\$ 25	\$ 2,000	\$ 50,000	
Books	\$ -	\$ 1	\$ 25	\$ 2,500	\$ 8,000	
Clothing	\$ -	\$ 2	\$ 50	\$ 5,000	\$ 50,000	
Labels	\$ -	\$ 2	\$ 50	\$ 5,000	\$ 250,000	
Retail Stores	\$ -	\$ 2	\$ 50	\$ 5,000	\$ 250,000	
SECURITY PAPERS						
Bank Notes	\$ -	\$ -	\$ 10	\$ 1,000	\$ 100	
Checks	\$ -	\$ 1	\$ 10	\$ 1,000	\$ 5,000	
Stamps	\$ -	\$ -	\$ -	\$ 10	\$ 500	
Lottery Tickets	\$ -	\$ -	\$ 10	\$ 250	\$ 1,000	
Tickets/Vouchers	\$ -	\$ -	\$ 10	\$ 5,000	\$ 10,000	
Passports	\$ -	\$ -	\$ -	\$ -	\$ 500	
Traveler Checks	\$ -	\$ -	\$ -	\$ 10	\$ 50	
High Security Paper	\$ -	\$ -	\$ -	\$ 1,000	\$ 5,000	
Credit Cards	\$ -	\$ 3	\$ 10	\$ 5,000	\$ 10,000	
Casino Chips	\$ -	\$ -	\$ 10	\$ 1,000	\$ 5,000	
TOTAL	\$ -	\$ 16	\$ 260	\$ 33,770	\$ 645,150	
<ul style="list-style-type: none"> • Sales are for encoded microwire ! • Sales of receivers/antenna <u>not</u> included! • Sales of encoded microwire may erode some of the non-encoded market. • Sales imply technology is fully developed in year 2006! 						

Note: This chart assumes successful development of encoding technology by year 2007-2008. These sales reflect the tremendous growth opportunity for encoded products and applications.

*Demodulation LLC Proprietary and Confidential Information***6.5 Pricing**

Pricing will be tiered according to volume, both at the distributor point and, for the Government Security Market, at the end-user. Government Security products will most likely be listed on a GSA schedule.

We intend to aggressively price *μ-Fiber* microwire EAS products below the expected pricing of the competition in order to capture as much market share as possible. We expect Sensormatic to introduce a new EAS product in the market utilizing Unitika fiber made in Japan sometime in year 2003. This product will be based on electromagnetic principles and will compete directly with our *μ-Fiber* microwire. This product will also be greater in diameter and will not provide the same performance characteristics as DEMOD's products. The Unitika product is expected to be priced some 25% below current Sensormatic products. Because Sensormatic and CheckPoint have so much marketing strength we will continue our aggressive pricing for several years. The recommended retail price of \$0.025 for Sensormatic's current acoustomagnetic products will be 5 times our cost to manufacture (COM). The new Unitika fiber-based product will be 3.7 times our COM. Two years from now, we expect to increase pricing by 25% to the retail industry while reducing our COM. Our pricing projections are based on EAS tag designs using one *μ-Fiber* microwire, one inch long, with a hard magnetic ribbon placed over the fiber and adhered to an adhesive tape. We have not included price projections for our encoded products that we believe will command a 200 to 300% premium in price.

6.5.1 DEMOD EAS Pricing vs That of the Competition

The chart below shows a comparison of our price versus the projected prices of our competitors for EAS applications.

Demodulation EAS Pricing vs the Competition (\$/Tag)					
	2003	2004	2005	2006	2007
Demodulation	0.010	0.010	0.013	0.013	0.013
Sensormatic - Acoustomagnetic	0.025	0.025	0.028	0.028	0.030
Sensormatic – Unitika Wire	0.019	0.019	0.020	0.020	0.021
CheckPoint – RF	0.040	0.040	0.041	0.041	0.042
Wallace – Acoustomagnetic & RF	0.025	0.025	0.028	0.028	0.030

Note: Wallace is a licensee of Sensormatic.

We expect to market and sell our *μ-Fiber* microwire products direct to retail and source tagging manufactures. We believe that no pricing concessions will be made, due to the low cost and competitive advantage that our *μ-Fiber* microwire products will provide to our source-tagging partners

6.5.2 DEMOD Encoded EAS Pricing

The opportunity to increase gross profits is achievable by incorporating the manufacturing of the source tagging process into Demodulation LLC. Once the proof of concept and market acceptance is obtained, DEMOD will actively seek potential value-added applications to increase margins and/or gross profits.

The successful development of encoded microwires will generate enormous revenue opportunities for the company.

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We anticipate pricing to be as follows:

Demodulation Encoded Microwire Pricing					
	2003	2004	2005	2006	2007
Demodulation			\$0.038	\$0.038	\$0.038
Competitor	No Known Competition				

The applications for microwires in security card applications create premium pricing opportunities. We will initially market tags with on/off capability only. The selling price for these products will be significantly higher (two to three times) selling price than the Retail Industry. With the advancement of encoding, we will be able to increase our price an additional 2 - 4 times this as the capabilities of the microwire increase in their capacity to hold information.

6.6 Gross Profits Comparison vs the Current Standard (Sensormatic)

The chart below shows Gross Profit comparisons based on sales of value-added source tag products. The retail selling price represents a typical label for an off-the-shelf product. Assuming the cost of the μ -Fiber microwire (\$0.010) and the cost of the source tagging application process (\$0.003), the finished cost of the label is \$0.013. We anticipate that a 60% mark-up can be commanded for the μ -Fiber microwire-based source tag products. Therefore with a typical label cost of \$0.040 per unit and today's average selling price of \$0.053 per unit (a 25% gross margin) a source tagged label could sell for \$0.73 per unit.

Gross Profit Margins			
	Typical Retail Label	DEMOM μ-Fiber EAS Tag	Source Tagged* EAS μ-Fiber
Retail Selling Price	\$0.053	\$0.010	\$0.073
Cost to Manufacture	\$0.040	\$0.005	\$0.053
Gross Margin	25.0%	50.0%	27.5%
Gross Profit	\$0.013	\$0.005	\$0.020

* μ -Fiber embedded in a label.

The above chart reflects a four-fold increase in gross profit for a source tagged EAS label using μ -Fiber microwire. Although the gross margin is higher for our DEMOD μ -Fiber microwire EAS tag, the gross profit is less. Furthermore this chart clearly shows the importance of incorporating label manufacturing into DEMOD. This will dramatically impact the gross profit as shown.

*Demodulation LLC Proprietary and Confidential Information***6.7 Distribution**

Demodulation LLC does not intend to use distributors for microwire products *initially* for the North-American market. We will, however, have to evaluate the possibilities and costs associated with stocking distributors in order to better serve our international clients. Our company will develop distribution centers in years 2004 and 2005. These centers will be located at our regional sales offices to support the retail sales efforts. The approach to selling in the international market will be facilitated by commissioned agents. These agents operate on a 5% commission basis.

6.8 Promotion

For our initial EAS component products we are employing a strict PULL strategy. All promotion will be done through our sales force by providing them suggested ad content, artwork, photographs, product literature, and technical applications information that they in turn use to promote the products to their customers. Our sales force will be enthusiastic about promoting the products because of the reputation the products will have gained and the fact that our products will have been proven to outperform those of the competition.

Our strategy will change to a strong PUSH plus a weak PULL after successful market penetration. The PULL methodology will be identical to that used for the EAS components. The PUSH process will be a combination of an initial round of publicity followed by aggressive advertising via promotional publications directed toward the merchandising and retail industries and aggressive promotion at trade shows and industry seminars.

6.8.1 Publicity

We anticipate a significant amount of publicity will be required to launch our new **non-encoded** EAS microwire product lines. We will conduct "prototype demonstrations" for representatives from a number of industry publications, anticipating positive response. We expect to see several good "new product" articles in the fourth quarter of year 2003. We will be making arrangements for 10 businesses to install microwire EAS systems in their facilities. Upon successful completion of this beta-site testing, Demodulation will invite the press (with approval from client) to perform a case history promotional article. At the same time, new product announcements will be set to every identifiable media-source.

The publicity and promotion for our encoded microwire products will be structured differently. Many of these products will be utilized in government applications or where secrecy and non-disclosure are of paramount importance, testimonials will not be disclosed. All and any publication or promotion of this technology will be determined as classified or non-classified. Assuming the release of information is granted for commercial applications, product introduction will be made on a selective basis with selected preferred customers. Demodulation recognizes that success in the encoded microwire product is ground breaking technology and will have a daily impact on our society in the areas of theft, security and anti-counterfeiting. In the security industry, the less information freely available to the public forum, will enhance the overall effectiveness and value of the product. Therefore we will evaluate any and all promotion of this technology with extreme discretion.

*Demodulation LLC Proprietary and Confidential Information***6.8.2 Advertising**

Demodulation's marketing strategy as it applies to advertising and promotion is to structure our product introduction to the market with the following methodology:

- I. AWARENESS
- II. COMPREHENSION
- III. BELIEF
- IV. TRIAL
- V. ADAPTATION
- VI. APPROVAL

Based on the aforementioned methodology, Demodulation will structure its advertising and promotional campaign as follows:

Advertising & Marketing Expenses					
(read in thousands)	2003	2004	2005	2006	2007
Travel & Entertainment	\$200	\$225	\$450	\$1,700	\$5,000
Promotional Literature	\$50	\$75	\$150	\$500	\$5,000
Advertising	\$50	\$100	\$350	\$2,000	\$12,000
Media Spots				\$1,500	\$12,500
Web Site	\$50	\$50	\$50	\$300	\$500
Total	\$350	\$450	\$1,000	\$6,000	\$35,000

The first year of Advertising and Promotion is entirely directed and focused upon proof of concept.

The second year budget will focus on awareness through adaptation, while year 2005 and on will focus on trial and adoption of our products by the end-users.

Budgeted Advertising and Promotion beginning in year 2005 is 4% of gross sales.

6.8.2.1 WEB PAGE

DEMODO will establish and maintain an interactive web site for promoting our products and services, and providing technical information on product capability. We will establish on-line customer support capability and have an order entry system on-line. Inventory and tracking capabilities will also be available on-line. The web site will be an integral part of our business.

*Demodulation LLC Proprietary and Confidential Information***6.9 The Government Security & Defense Markets****6.9.1 Products and Services****6.9.1.1 PRODUCTS****6.9.1.1.1 Security Related Products**

- High security μ -Fiber microwire that can be incorporated into currency (unique signature).
 - Encoded μ -Fiber microwire with unique signature for currency.
- Finished high security paper that can be authenticated remotely and used in:
 - Federal documents including passports, social security cards & checks.
 - Bank notes
 - Stamps
- μ -Fiber microwire for use in National Identification Card.
 - Precursor card for National ID incorporating μ -Fiber microwire.
- Authentication of personnel via subcutaneous injection of μ -Fiber microwire.

6.9.1.1.2 Defense Related Products

- EMI Shielding μ -Fiber microwire and fabricated components
- Radar Absorption μ -Fiber microwire and possibly composite structures (stealth applications).
- μ -Fiber microwire-based sensors/transducers (stress, magnetic field, position, optical)
 - airframes
- Tracking device μ -Fiber microwire and fabricated components for personnel and supplies.

6.9.1.2 SERVICES

The Company will provide consulting services under contract to governmental agencies to develop Special Applications, such as for counter-terrorism.

It is likely that research grants received from a national government may include limited rights to the technology developed. It is intended that the services to extend that technology for Special Applications will be provided by the Company as a government contractor, most likely on a cost-plus basis.

6.9.2 Customers

Typical customers within the United States Government include the following agencies: Central Intelligence Agency (CIA), Department of Defense (DOD), Department of State (DOS), Federal Bureau of Investigation (FBI), General Services Administration (GSA), and National Security Agency (NSA). Equivalent agencies in other governments will also be customers.

6.9.3 Marketing Strategy

Senior level presentations, both direct and indirect, must be made to all of the above agencies in the USA and their equivalents internationally. It is the primary intent of the Company to manufacture commercial standard product described in Section 6.5.1.1. Due to the synergy between commercial and military applications, the Company will be involved in both low and high volume manufacturing for special applications within the Government Security Market. DEMOD will work with DARPA and target military sub-contractors to assist in the design and utilization of our μ -Fiber microwire products. State and local governments will be contacted, particularly for utilization of μ -Fiber microwire in drivers license applications. Work on classified government programs will be performed in secure facilities.

*Demodulation LLC Proprietary and Confidential Information***6.9.3.1 MARKETING OBJECTIVES**

- Provide custom, secure signatures for classified programs.
- Establish classified facilities at Alfred University
- Promote the use of *μ-Fiber* microwire for use in National ID card.
- Target the top five defense contractors as potential clients.
- Target marketing toward National Laboratories.
- Market products to pulse power manufacturers.
- Develop relationships with manufacturers of composites to develop materials for radar absorption.
- Work with Secret Service and with Crane Co. to promote the use of *μ-Fiber* microwire in currency.

6.9.4 Sales Strategy

The Company will employ high-level sales personnel to develop new customers within governments and governmental agencies. Mr. Harrison has extensive experience, as does Mr. O'Keefe, in working with defense contractors and National Laboratories. The focus of the sales effort will be to identify applications and needs for magnetic materials for the Federal Government. Two sales fronts will be established: one for defense applications, the other for security applications. All sales activities will be on a direct basis and most likely will require face-to-face meeting with our R&D personnel. One specific strategy will be to solicit Federal funding for research and development. The targeted agencies will be NYSTAR/ATP/DARPA. Distribution

National governments represent the bulk of the Security Market. Every national government to whom we would sell has an embassy in Washington DC. The United States will be our largest customer. The main distribution center will be in the Washington DC area.

6.9.5 Sales Forecast

This Business Plan does not include sales forecasts for the government Defense and Security Markets. Sales are probable, however forecasting is difficult to project at the present time. Therefore, the sales projections of the Business Plan are conservative. We envision sales in excess of \$30M for the government segment by the year 2007.

6.9.5.1 TRUSTED DISTRIBUTION

Certain customers in the security field may require Trusted Distribution. Trusted Distribution requires that all parties along the chain be known, identified, and "trusted."

US and Canada - those customers that require trusted distribution will receive direct deliveries from the Company using trusted distribution methods.

Other national governments - Trusted distribution will be made to their Washington embassy, which will utilize their own, diplomatic, trusted distribution system to forward the devices to the end-user.

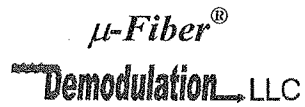
6.9.5.2 NORMAL DISTRIBUTION

For those customers that do not require trusted distribution, the Washington distribution center will use traditional methods of delivery.

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6.10 General Marketing Issues

6.10.1 Logo



6.10.2 Slogan

μ-Fiber® Microwire
"The Hidden Security Solution"

*Demodulation LLC Proprietary and Confidential Information***7 Management**

Demodulation LLC has assembled a management team the members of which are among the best in their respective fields. The technical staff has unparalleled experience as evidenced by the combined total of over 500 technical papers and over 100 issued patents, all of which are related to the technology of DEMOD. The business/marketing arm of Demodulation LLC has extensive international business development, marketing, and sales skills and experience. This high level of expertise is complemented by two world class Technology Centers. Alfred University in New York State is the NSF Center for Glass Research, and the National Institute for Research and Development on Technical Physics in Iasi, Romania, a magnetism research institute.

7.1 DMOD Leadership Team**7.1.1 Board of Directors**

James E. O'Keefe, Chief Executive Officer/President.

Mr. O'Keefe's background includes 25 years in international business development, marketing, and sales of advanced materials. From 1976-2001, he has held a variety of positions with major corporations producing metals, chemicals, advanced ceramics, and composites. During the course of his career, he has worked for companies such as Babco Wilcox, Carborundum, Amax, and Dynamite Nobel. Mr. O'Keefe's business experience encompasses the electronics, chemicals, ceramics, defense, aerospace, composites, and metals industries. His business experience includes commercialization of products to the electronics, chemicals, defense/aerospace industries. Mr. O'Keefe earned a B.S. in Ceramic Engineering from Alfred University.

Major General Thomas L. Wilkerson, USMC (Ret), Consultant

General Wilkerson is an executive with 10 years experience as CEO/COO. His most recent position was that of President/CEO of MBIA Muniservices Company. From 1995 – 1998 he acted as Commander, Marine Forces Reserve. Prior to this, General Wilkerson has held positions as Chief Marine Corps Planner, Operations Officer, II Marine Expeditionary Force, Special Assistant to Chairman, JCS. General Wilkerson is a graduate of the U.S. Naval Academy (1967) and is a member of the Council on Foreign Relations.

Peter Cuneo, CEO, Marvel Entertainment

Mr. Cuneo is a veteran executive and has over 30 years of leadership, including the management of Fortune 500 Companies. He is currently the President, CEO, and a Member of the Board of Directors of Marvel Enterprises. Prior to his work at Marvel, Mr. Cuneo served as President and Chief Executive Officer for Remington Products Co. Before joining Remington, Mr. Cuneo acted as President of the Security Hardware Group for Black & Decker Corp. and also served as President of Bristol-Meyers-Squibb Pharmaceutical Group. Mr. Cuneo serves as Vice Chairman, Board of Trustees, Alfred University and Member, Board of Directors, Water-Pik Technologies.

Demodulation LLC Proprietary and Confidential Information**7.1.2 Senior Staff*****President & Founder, CEO: James E. O'Keefe***

Mr. O'Keefe is Demodulation LLC's founder, president and CEO. He was educated at Alfred University, receiving B.S. in Ceramic Engineering. Mr. O'Keefe's expertise is in the area of business development and marketing of advanced technologies and has extensive international marketing and sales experience.

Mr. O'Keefe has established the following objectives for the coming year:

- Secure financing for Demodulation LLC.
- Secure Development funding contracts with the Government (NYSTAR, ATP, DARPA).
- Secure contract/MOU with Alfred University.
- Prioritize and manage the successful development of products that will expedite the commercialization of the μ -Fiber microwire anti-theft products.
- Secure the assignment of all intellectual property, patents and inventions of μ -Fiber microwire to Demodulation LLC. License μ -Fiber microwire technology from NIRDTP.
- Insure the successful development of a patentable product and / or process, providing the revolutionary product break-through that ensures industry recognition and market acceptance.

Chief Scientist & VP Technology: Dr. Howard H. Liebermann

Dr. Howard H. Liebermann will act as the Chief Scientist & VP Technology of Demodulation LLC. He was educated at the Polytechnic Institute of Brooklyn (B.S. Metallurgical Engineering), and at the University of Pennsylvania (M.S., Ph.D. Metallurgy and Materials Science). Dr. Liebermann is a world-renowned scientist in the area of amorphous alloys and has more than 30 issued patents and over 87 published papers in this field. He is a member of the International Advisory Committee on Rapidly Quenched Materials and a member of I.E.E.E. Magnetics Society, American Society for Metals, The Metallurgical Society of A.I.M.E., and the Iron and Steel Society. Howard has extensive experience in alloy development, particularly EAS alloys.

Dr. Liebermann has established the following objectives for the coming year:

- Direct the personnel and integrate the Process, Product and Application Development worldwide for μ -Fiber microwire production.
- Initiate and define research and development guidelines and parameters for anti-theft product development.
- Initiate and define the principal research and development plans for encoding technologies at Alfred University.
- Identify and establish joint research with electronics designers for the advancement of receiver and antenna technology.

Director of Applications Engineering/R&D: Dr. Ryusuke Hasegawa

Dr. Ryusuke Hasegawa was educated at Nagoya University (B.S., M.S. Electrical Engineering) and at the California Institute of Technology (Ph.D. Materials Science). Dr. Hasegawa was instrumental in the development of acoustomagnetic anti-theft products (Sensormatic) and holds more than 30 patents in this field. He is considered one of the foremost experts in the world in this field and brings unparalleled expertise in field of magnetic / anti-theft applications.

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Dr. Hasegawa has established the following objectives for the coming year:

- Comprehensive analysis of existing products (Sensormatic/Checkpoint) versus those incorporating μ -Fiber microwire.
- Provide definition for development of electronic receivers and antennas.
- Assist Alfred University in matching amorphous alloy compositions with suitable glass chemistries.
- Provide technical support and design input for encoding of μ -Fiber microwire at Alfred University.

Vice-President Sales & Marketing: William Harrison

Mr. Harrison comes to Demodulation from Honeywell's Amorphous Solutions business for which he acted as Sales Director. He is a veteran of the magnetic products industry. Mr. Harrison has extensive international sales and marketing experience in high frequency magnetics, pulse power and various other defense and commercial applications.

Mr. Harrison has established the following objectives for the coming year:

- Identify and secure strategic partners/customers through joint ventures and co-marketing agreements. Industry segments include paper, credit card, legal documents, ticketing, textile and label manufacturers, etc.
- Introduce the μ -Fiber microwire product for suitable applications. Manufacturers of secure accreditation services including the identification of personnel and property, and access control systems will be solicited.
- Provide the Strategic Plan and market definition for commercial development of high-margin value-added products, i.e.: laminated plastics, labels, and fabric products.
- Administrate the Sales and Marketing Plan to achieve sales growth and market penetration.

Legal Counsel: Ernest D. Buff, Esq.

Mr. Buff has thirty years experience in domestic and foreign intellectual property law. He has expert knowledge of the formation and administration of patent estates, including patent and trademark prosecution, patent litigation, licensing, and business agreements for the development and exploitation of proprietary properties. Mr. Buff concentrates his technical practice in the chemical, mechanical, electrical, and metallurgical industries, including amorphous and microcrystalline alloys, electromagnetic components, Internet and E-Commerce systems and business methods. Admitted to practice in New Jersey, Massachusetts, District of Columbia, and before the Patent Bar, CAFC, the Court of Claims, and the U.S. Supreme Court.

Security Marketing Specialist: Michael Bethea

Mr. Bethea is a veteran of security products industry, having come to Demodulation from the printing industry, where he was responsible for their component design, manufacturing and sales. Mr. Bethea includes in his credentials sales of products to the world trades center site and products sold for security at the world financial summit recently held in New York. Mr. Bethea is a graduate of Rochester Institute of Technology.

Mr. Bethea has established the following objectives for the coming year:

- Identify and secure applications for μ -Fiber microwire in security products.
- Secure a joint technology partner that will result in the successful development of a new security product.

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Chief Scientific Adviser: Dr. William LaCourse

Dr. William LaCourse is Principle Research Scientist at Alfred University, is the acting director of the Institute for Glass Science and Engineering as well as the Associate Director of the NSF Center for Glass Research. Professor LaCourse received his Ph.D. from Rensselaer Polytechnic Institute in Materials Science.

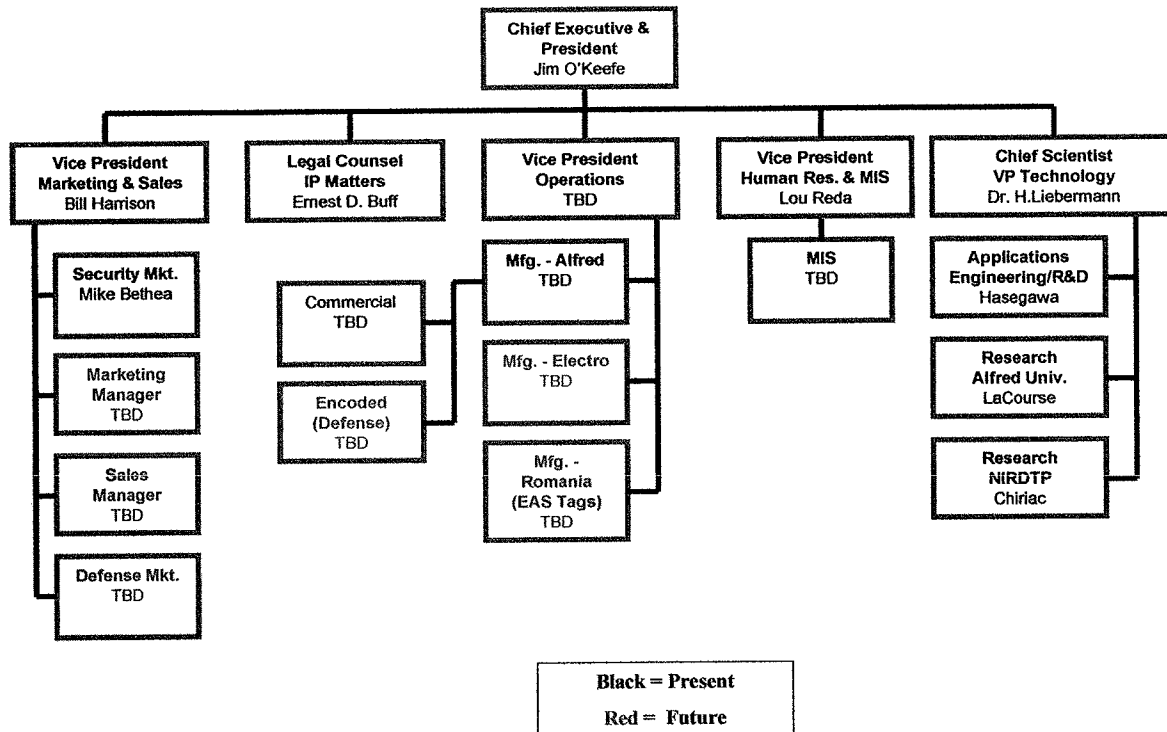
Dr. LaCourse has established the following objectives for the coming year:

- Develop improved glass composition that will enhance *μ -Fiber* microwire properties and application performance in the field.
- File patent applications for new glass compositions and formulations *μ -Fiber* microwire.
- Manage the high security research and development center for the encoding of *μ -Fiber* microwire.
- Coordinate and assist in development and implementation of high security government research contracts.
- Manage other members of the Alfred University research group who include Alexis Clare, Ph.D. University of Reading, England, Physics and Dr. Xingwu Wang, professor of Electrical Engineering, Ph.D. University of Buffalo in Physics in 1987. This team of experts is among the best in their field and has been selected to bring expertise in the area of amorphous alloys, glass science and electronic engineering.

Scientific Adviser: Prof. Dr. Horia Chiriac

Dr. Horia Chiriac is the General Director of the National Institute of Research and Development for Technical Physics in Iasi, Romania. He received his Ph.D. in Physics from the University of Iasi in 1978. Dr. Chiriac has over 200 papers published in scientific journals and is inventor on 24 patents in the area of amorphous metals technology.

- Dr. Chiriac will manage basic research at his Institute in support of Demodulation LLC objectives.

*Demodulation LLC Proprietary and Confidential Information***7.2 Organization****Organizational Chart****7.2.1 Organization Description**

Mr. O'Keefe will serve as CEO and President of the organization. Reporting to Mr. O'Keefe are Dr. Howard H. Liebermann (Chief Scientist & VP Technology), Mr. William Harrison (Vice President, Sales & Marketing), Vice President of Finance (TBD), Vice President of Operations (TBD), Mr. Lou Reda (Vice President of Human Resources & MIS). The first priority for this organization is to commercialize the licensed technology. Our present organizational structure represents a synergistic blend of technologists and business/marketing skills. These functions represent the priorities of the Business at the present time. Vacant positions will be filled after funding.

The development organization is a small group that will grow to five personnel this year. The Chief Scientist & VP Technology, Howard H. Liebermann has a Ph.D. in Metallurgy and Materials Science, and has been with Honeywell Amorphous Solutions Division for 20 years prior to joining Demodulation LLC. The responsibility for managing people is not new to Dr. Liebermann, and he is exceedingly knowledgeable with the technologies being developed. For example, Dr. Liebermann was involved with the development of the competing technology that Unitika licensed from Honeywell for the production of centrifugal casting of amorphous metal wires. He will direct the activities of our Research and Development facilities globally.

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The development team will incorporate the use of state of the art analytical equipment at Alfred University and develop testing procedures and methods at our application center.

Dr. Hasegawa will manage Demodulation's Applications Group and has extensive experience in the development and physics associated with EAS systems. Dr. Hasegawa has intimate technical familiarity with the systems currently in use by Sensormatic and has excellent qualifications and experience to direct and to assist in product development and applications development area for our products. It is important to recognize that Dr. Hasegawa and Dr. Liebermann both endorse the microwire technology and see the growth opportunities for Demodulation LLC for these products, particularly in light of the experience with EAS technology and products.

Dr. William LaCourse will manage the Alfred University Research and Development efforts. Both Phase I – "Perfect the microwire processing/property-developing technology", and Phase VI – "Encoding Application Development" will be executed by Bill and his staff. Dr. Chiriac will work with Dr. LaCourse to integrate the Romanian scientific programs into the objectives of Alfred University's research.

The integration of these scientists and their collective thought processes is key to the success of our development efforts.

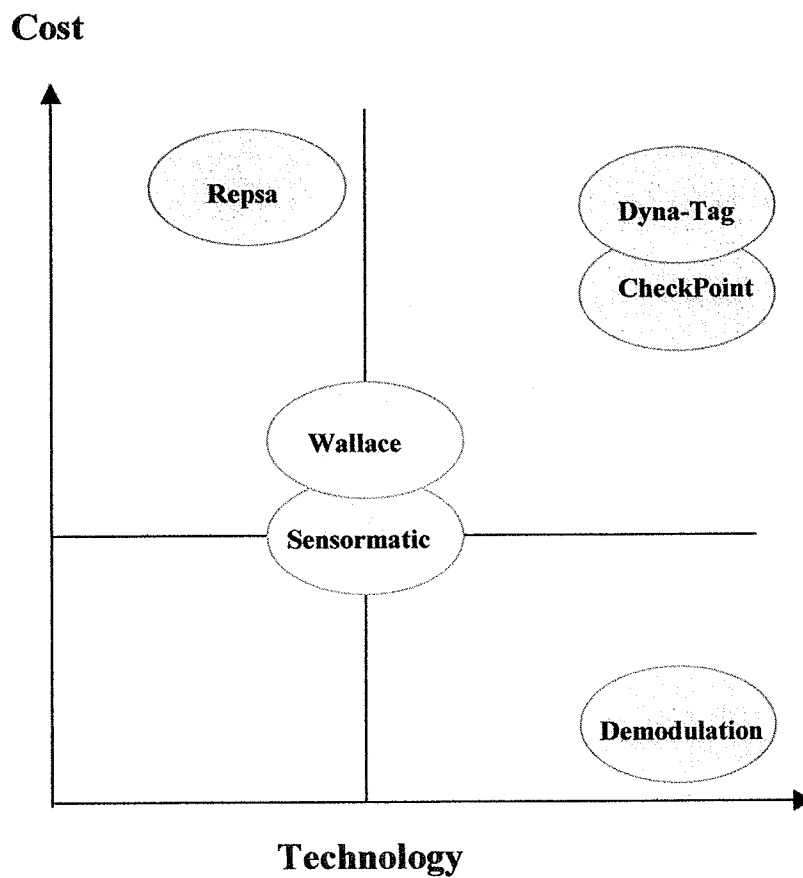
7.3 Projected Headcount

	2003	2004	2005	2006	2007
Engineering Development	10	10	30	40	105
Production/Service	5	6	29	82	171
Marketing/Sales	2	14	42	112	230
Customer Support/G&A/Other	5	12	43	135	290
Total Headcount	22	42	144	369	796

8 Competitive Analysis

8.1 Positioning Chart

The chart below shows where Demodulation LLC is in the market relative to competitors.



*Demodulation LLC Proprietary and Confidential Information***8.2 Competition, Products, and Pricing**

There are seven enterprises that are Demodulation LLC's most likely near term competitors, the strongest being Sensormatic. A list of these competitors is shown below.

<i>Our Competitors</i>			
<i>Corporation</i>	<i>Type Sensor</i>	<i>Product Name</i>	<i>Price</i>
Sensormatic	AM	Ultra-Max	\$0.025
Wallace*	RF	Ultra-Max	\$0.025
CheckPoint	RF	CheckPoint	\$0.070
Sentry Technology	RF	Micro-Magnetic Strips	\$0.025
Repsa	RF	Hard Tags	\$0.100
Dyna-Tag	RF	Dyna-Tag	\$0.090
Tag Point, Ltd.	RF		

* Wallace has a license from Sensormatic

8.3 Competitor Strengths and Weaknesses

A summary of several aspects of these competitors is shown below. The summary includes company age, the emphasis the company places on EAS products, the importance of the product to them as a business, their cash position, relative size of distribution channels, size of company, and long term commitment to the market.

<i>Our Competitors – Focus & Capabilities</i>						
<i>Corporation</i>	<i>Sales (\$)</i>	<i>Age (Yrs.)</i>	<i>EAS Focus (%)</i>	<i>% of EAS Market</i>	<i>Cash Position</i>	<i>Market Reach</i>
Sensormatic	\$1.2B	36	100	50	+	++++
Wallace	\$1B	3	20	3	++++	++++
CheckPoint	\$800M	37	100	42	++	++++
Sentry Technology		8	100	2	+	+
Repsa		NA	100	1	+	+
Dyna-Tag		25	100	1	+	+
Tag Point, Ltd		9	100	1	-	+

Provided below are profiles for each of the competitors described above.

8.4 Description of Key Competitors

8.4.1 Sensormatic

Sensormatic Electronics Corporation is our largest competitor. They design, manufacture, sell, and service electronic article surveillance (EAS), video surveillance, access control, electronic asset protection (EAP) and security management systems. The company sales address all market segments including retail, gaming, government, education, public and private industries. Sensormatic also leads the security industry in integrated source tagging (acoustomagnetic) – a process where consumer goods manufacturers apply anti-theft tags at the point of packaging or manufacturing.

The acoustomagnetic technology is marketed under the Ultra·Max® name and has the following claims for there products:

Wide exit detection capability (up to eight feet).

Choice of pedestal designs and systems for aesthetic and performance.

A 100% concealed Floor-Max™ system.

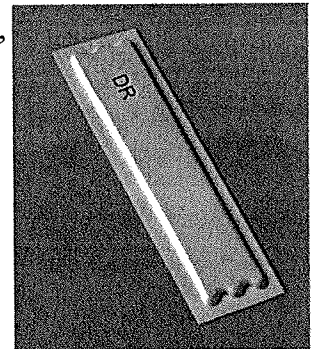
New systems with Digital Signal Processing (DSP) for high detection, auto phasing, remote diagnostics, reduced service needs.

Label deactivation solutions for all checkout applications.

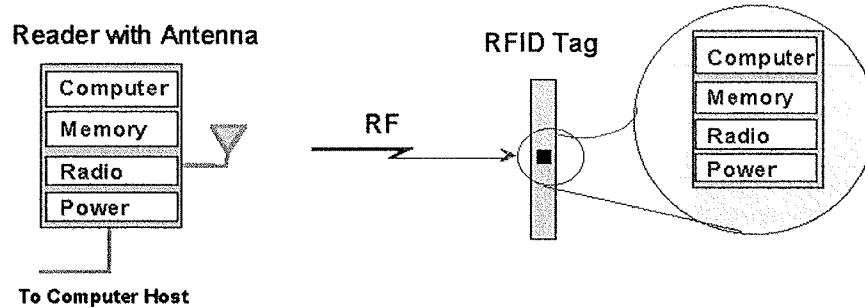
- Best-in-class hard tags.

Ultra·Strip® Labels Claims are:

- A solution for food, music, discount, drug, consumer electronics, books, and all other retail market
- Smallest label offered (footprint)
- Works with all existing Ultra-Max systems
- Deactivatable/reactivable
- No false alarms
- Offered in white, barcode, black, microwaveable, and custom
- Sheet or roll formats
- Convenient tabletop applicators for use with roll formats
- Special versions for drop-in application



Sensormatic is also a leading distributor of video surveillance systems to security dealers. The company has also recently introduced its SensorSmart™ product line based upon radio frequency identification (RFID) chips for use in retail supply chain operations such as inventory control issues. An RFID system is a computing and communications device that consists of a "reader" with an antenna and an RFID tag. The reader contains computer processing capabilities, a certain amount of memory, a radio transmitter/receiver, and a power source. The reader emits a radio frequency signal, which provides power to an RFID tag that also has computer processing capabilities, a certain amount of memory, and the ability to transmit or receive information. The tag provides a portable database and a wireless extension of a company's information systems.

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RFID claims are: High data storage capacity, Secure information, No line of sight required (tag can be hidden), Increased read range capability, Ability to update information through, read/write capability, Multiple item identification, Resistance to harsh/dirty environments (more robust than bar codes).

Sensormatic's products are sold and serviced in more than 113 countries worldwide through both direct and indirect sales forces. Sensormatic claims that ninety-three of the top 100 retailers in the world are Sensormatic customers, and more than half of the Fortune 500 companies.

Founded: 1966
 Annual revenue: \$1,103.1 million (FY01)
 Employees: 5,200
 Manufacturing Facilities: Florida, Puerto Rico, Ireland, China and Brazil.
 Corporate Headquarters: 951 Yamato Road, Boca Raton, FL 33431-0700
 Sensormatic additional claims are:

More than 450,000 Sensormatic anti-thefts systems installed worldwide.

64% worldwide market share of stores using article protection equipment.

More than 2,500 consumer goods manufacturers applying Sensormatic anti-theft tags to products.

8.4.2 CheckPoint

Company Description

CheckPoint Systems, Inc., is the second major competitor to Demodulation and is a \$700 million multi-national manufacturer and marketer of retail asset tracking and protection products. Established in 1967, the company is the world's leading provider of radio frequency (RF) based loss prevention systems to the \$1 Trillion global retail industry. CheckPoint is traded on the New York Stock Exchange and capitalizes on its RF engineering expertise, bar coding capability.

Checkpoint claims:

- 1,700+ sales and service representatives
- Presence in 27 countries
- Global service bureau network
- 17 strategically located manufacturing facilities
- More than 30 years of RF experience

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- Partnership with Mitsubishi Materials Corporation
- Large installed RF base—350,000 systems worldwide
- Manufacturing capacity—five billion tags per year
- International sales, service and support network

CheckPoint Claims:

CheckPoint offers a range of solutions for branding, tracking and securing assets. CheckPoint further claims to enable retail, library and commercial/industrial customers to increase productivity and profitability throughout their supply chain. The companies products range from price tickets to labels for integrating inventory management, authentication, promotion and security functions, desktop bar code printers, CCTV cameras and EAS systems and computer-controlled remote monitoring and item-level RFID. Checkpoint has a strong engineering, manufacturing, sales and service operations around the world. They are the world's leading supplier of RF antennas and disposable tags for *retail RF* electronic article surveillance (EAS). CheckPoint has RFID capabilities for retail, library and commercial/industrial applications.

CheckPoint joint ventured with Mitsubishi Materials Corporation, under the Diamond CheckPoint Development Group. This company leveraged its respective strengths in RF technology and integrated circuitry. Consequently, Checkpoint now offers a wide range of RFID products, including 13.56 MHz RFID tags, fixed and portable readers and application development software. In 1999 Meto AG was acquired and expanded Checkpoints source tagging through Meto's service bureau network. More auto ID products and services were obtained, creating greater e-commerce operations and broader offerings for the retail supply chain management industry. In January 2002 Checkpoint announced that a Swiss Court ruled that Sensormatic AG, a subsidiary of Sensormatic Electronics, and All-Tag Security AG, a subsidiary of All-Tag Security S.A., a Belgium-based company, infringed upon two patents owned by Checkpoint Systems related to deactivatable radio frequency security tags. One of the infringed patents ruled on by the Swiss Court is the same patent that was the subject of an infringement case against Sensormatic and All-Tag filed in May 2001 in Federal Court in Philadelphia.

8.4.3 Wallace**Company Description**

Wallace is a provider of print products and services to FORTUNE 1,000 customers, producing and distributing forms, labels, direct response and commercial printing. Total Print Management is a concept Wallace promotes which combines all of these products with service and management.

Wallace supplies:

Licensed Ultra-Max™ Label Manufacturing from Sensormatic

Authorized reseller of Checkpoint's RF labels

Quick response and rapid turnaround (orders shipped within 24 hours)

Multiple points of distribution

Integrated solutions

Inventory management

Source Tagging Automatic Application (authorized Label Air Distributor)

Source Tagging Certification Center (free product certification)

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Wallace developed a Vendor Source Tagging Program to help retailers build compliance among its vendors. They offer a comprehensive program that makes it easy for suppliers to properly apply Sensormatic labels during the manufacturing or packaging process.

Wallace provides its customers with:

- Source Tagging Training for Vendors
- Product Certification
- Consultative Sales on Applicator Equipment for Vendors
- Quarterly Progress Reports and Audit Reports on Labels Sold
- Certification Status Reports
- Integrated EAS Labeling Solutions for Vendors
- Local Sales Representative

Wallace maintains three months inventory for its customers to ensure that continuous production goals are met. Wallace an authorized reseller of CheckPoint's RF Labels customizes CheckPoint RF labels by imprinting barcode, price, logo or other information onto the label. They also integrate RF labels into prime labels or hang tags.

8.4.4 Sentry Technology**Company Description**

Sentry designs, manufactures, sells and installs Knogo Electronic Article Surveillance (EAS) systems to prevent shoplifting in retail stores. These include Radio Frequency (RF) systems (2 and 8MHz) and Ranger (UHF) systems to protect soft goods in apparel and department stores in malls.

Micro-Magnetic™ (MM) and 8MHz RF systems are widely used to protect hard goods in supermarkets, drug stores, discount stores, bookstores and other specialty stores. MM pedestal systems detect strips that are the most economical and smallest EAS tags available. The 8MHz RF systems include a choice of pedestal or overhead systems each using an economical disposable label.

Strategic Alliances**All-Tag Security, S.A.**

Sentry Technology Corporation joined forces in April 1999 with All-Tag Security, S.A., a privately held Belgian Company, by entering into cross-distribution agreements to market their technologies.

Under the agreements, Sentry's Knogo North America subsidiary is a distributor of All-Tag's RF deactivatable EAS labels in the United States and Canada. These labels, which operate on the same frequency and are compatible with Checkpoint Systems, Inc.'s equipment, complete Knogo's family of RF detection products that include pedestal and overhead RF systems in both 2 and 8.2 MHz configurations.

All-Tag Security, S.A., formed in 1994, designs, manufactures and sells a complete line of RF deactivatable labels from 8.2 MHz to 10.5 MHz compatible with all RF detectors or deactivators used worldwide.

3M - In March 1996 KNOGO North America Inc. and 3M, the leader in library innovation and technology, joined forces to provide universal asset protection to libraries across North America. The agreement enables KNOGO to distribute all 3M library products, such as 3M Tattle-Tape Security Strips, detection systems, 3M SelfCheck System hardware and software, and other 3M library materials

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flow management products and accessories to public, academic, special and government libraries across North America.

In addition, 3M provides service and installation for all new and existing KNOGO library customers throughout the United States and Canada.

Corporate Emphasis

Sentry Technology continues to focus engineering and marketing efforts on EAS, conventional CCTV and expanding installations of the proprietary SentryVision® traveling CCTV surveillance systems. Domestically and internationally Sentry Technology is expanding SentryVision® distribution through independent integrators and dealers. Expansion of our EAS business is being augmented by exploration of strategic partnerships to quickly access new markets and to develop international sales.

Dealer and Distributor Programs

Sentry sales personnel and independent dealers sell SentryVision® systems for commercial, industrial and institutional customers in the United States. Internationally, Authorized Distributors handle sentry product sales in individual countries.

8.4.5 REPSA**Company Description**

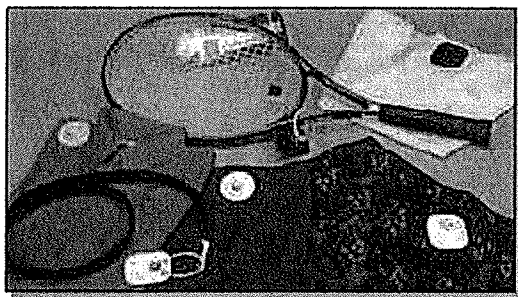
Repsa offers security systems that compliment their Ketec EAS product line. They can provide many types of loss prevention systems and products.

RF Products

Hard Tag - This strong but lightweight tag is designed to protect any type of soft goods item. Tags are attached prior to articles being placed on the sales floor and are detached at point of sale.

Mini Tag - This round tag is lighter weight and offers supreme protection for any type of soft goods item. Aisle widths of up to 4 feet may be protected with the Mini Tag.

Lanyards - May be used in conjunction with hard tags to protect: belts, video cameras, sporting goods items, luggage, purses, etc.



The Adhesive label is designed to protect any non-metallic hard goods item, including compact discs, cassettes, video cassettes, books, boxed items and cosmetic items. Two sizes of labels are available to work at varying distances. A 3-foot pedestal separation may use either the 1.5" X 1.5" or 2" X 2" label, a 4-foot pedestal separation requires the 2" X 2" size. These labels are deactivated by using either the Electronic Deactivation Plate or the Deactivating Label.

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8.4.6 Dyna-Tag

Company Description

Dyna-Tag manufactures and sells security systems, specifically Electronic Article Surveillance (EAS) products and labels, using Electromagnetic (EM) technology, for both retail and library applications. Dyna-Tag's installations are domestic and international, and they sell directly to end-users as well as security dealers. Dyna-Tag claims no maintenance once their systems are installed. They further claim their products are competitively priced and represent a smaller investment for retailer purchasing security systems. Dyna-Tag's systems use standard electrical outlets; no dedicated lines are needed.

Retail Applications promoted include:

Auto parts • books and CD • card and novelty • clothing • computer and electronics • cosmetics • pharmacies • eyewear • grocery • hardware • home-improvement • liquor • shoes and accessories • software • video

Dyna-Tag-Retail Labels

The tags are supplied in sheets of 10 or in rolls of 500 or 1,000. The finish is clear, white, black, and fake bar code. They have a minimum order point of 5,000 tags. Hard tags are also sold, standard color: beige. These tags are commonly used to protect clothing and fashion accessories.

8.4.7 Tag Point Ltd.

Company Description

Tag Point, Ltd. Electronic Article Surveillance and Observation Systems is a developer and manufacturer of anti-shoplifting equipment,

The company claims that customers vary from government departments through chain/department stores to industry, commerce and the private sector. Tag Point claims it maintains excellent business connections with a wide range of manufacturers and distributors of electronic components all over the world. It devises cost-effective systems that provide precision, accuracy and reliability to the end-user (the retailer). Having established its status in the market, the company is consolidating its strategy to meet the growing demands for effective EAS products for better detection facilities by the manufacturing, retail and industries in their effort to combat increasing losses.

Tag Point prides itself in its extensive after-sale technical support, based on its outstanding, experienced and knowledgeable engineers and technicians.

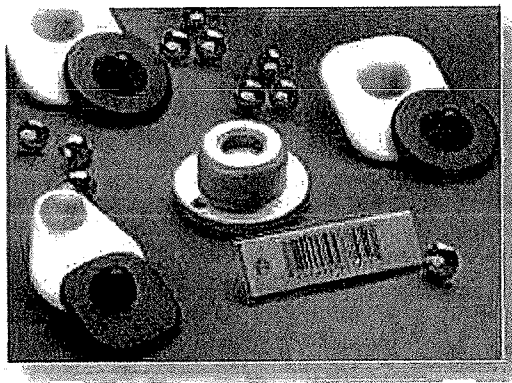
Tag Point, formed in 1992, in Israel. The company is currently in the process of building a new factory of 1000 square meters, in the south of Israel.

Tag Point Ltd. Claimed it would secure 10% of the market in EAS equipment by the end of 1999.

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EM SYSTEM - 1100 us\$



*Demodulation LLC Proprietary and Confidential Information***8.5 Company Differentiation****8.5.1 Product Differentiation**

- lower cost of tag (\$0.01/each vs. Sensormatic @\$0.025/each)
- improved performance.
- more reliable.
- more sensitive (improved performance)
- easier installation and lower cost to install in field.
- smaller, concealable.
- more easily source-tagged.
 - virtually invisible to the human eye.
 - environmentally more friendly (lower stray fields).
 - greater addressable to market segments not currently served.

8.5.2 Comparison to Key Competition: Anti-theft

Microwire technology only recently commercially developed!

Competitors: Sensormatic, CheckPoint

Sensormatic utilizes acoustomagnetic (resonant) technology vs. our electromagnetic (harmonic) technology

- acoustomagnetic relies on principle of mechanical resonance (like tuning fork), which necessitates specialized packaging/assembly methods to enable satisfactory performance
- electromagnetic relies on very square loop magnetic alloy (very easy magnetization); therefore, there are no constraints on packaging of tag while realizing improved reliability

CheckPoint utilizes RF (radio frequency) technology (high frequency radio waves)

- costly to manufacture
- possibly complications due to operating frequency

The cost to make an EAS tag with existing (i.e. Sensormatic) production methods is between \$.015-.020/each with sales prices in the \$.025 range/each. It has been further understood that the retail industry is extremely price conscious and with every \$.001 reduction in price the market for these products will grow 2-3%. Additionally, the method of application for EAS tags is changing. Tags have been applied traditionally in the field or at the store location. Consequently, the customer incurs costs for application of the anti-theft tags and along with product costs and electronic costs. The current trend is for a tag or anti-theft device to be applied at the manufacturing location or in the product label. This "source tagging" application limits the type of product due to size and process automation problems.

μ-Fiber microwires are small enough that they are barely detectable and can be continuously fed into packaging applications. Production costs are considerably lower than those of conventional technologies and the product can be easily redesigned for custom applications. It is because of the high-speed production capability and flexibility of process that enables low cost solutions for anti-theft applications. It is believed that costs of manufacturing a one-piece tag with this process will cost approximately

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\$.005/each. Targeted selling prices of \$.010 each would expand the market base exponentially, yielding a 50% gross margin and virtually eliminating any competition. This technology has the added benefit of being able to add multiple fibers to a tag and enhance or to customize the performance. Performance is measured by the distance at which the magnetic field could be received from the devices and by pick rate, the number of false alarms. Four-foot aisle width is the limit today for this technology whereas eight feet is today's limit for the Sensormatic technology. However, with enhancements to the electronic transmitter/receiver it is believed that signal reception may be received up to distances to those of Sensormatic.

μ-Fiber microwires have the ability to be encoded, which is the next evolution in application of these materials. Our target acquisition has demonstrated capability to encode but has not automated a process for commercialization of this technology. Assuming that this process is perfected the implication for market applications and sales are enormous. The ability to provide encoded papers for commercial application; inventory, ticketing and security papers would open up a multi-billion dollar market. Additionally, the ability to make threads with digital signals would be ideal for use in currency, checks, and passports, for other anti-counterfeiting applications

*Demodulation LLC Proprietary and Confidential Information***9 Financial Assumptions****9.1 Preliminary Financial Projections****9.1.1 Pro Forma P&L**

The company is expected to be profitable in its third year of operations. This is expected to be roughly equivalent to calendar year 2005.

The pro forma financials presented in this document represent only the Commercial Marketplace EAS Market. Other market segments (Government Security and Defense) are not addressed in the pro forma statements. They would all be additional when computed.

9.1.2 Sales

Sales are made to retailers and government agencies. Initial sales will be limited to the USA and Canada, with expansion to Europe, South America and Asia in later years.

	2003	2004	2005	2006	2007
Number of pieces sold (M)	160	500	1,200	7,000	30,000
Price/part (\$/Unit)	.01	.01	.01	.01	.01
Dollar Sales (\$000)	1,600	5,000	12,000	70,000	300,000

9.2 Investment Capital**9.2.1 Initial Funding**

Current projections indicate that an investment of \$20 million is required to carry the business through the first four years of introducing Demodulation LLC products. The \$20 million injection of capital is not needed to be drawn on day one and will be drawn as needed and specified in this plan. Management is prepared to offer equity in Demodulation LLC in exchange for this commitment. Management wants to avoid multiple rounds of investment sourcing. Management's experience is that too much time spent in fund raising activities can be distracting and can be damaging to achieving the company's operational goals.

9.2.2 Use of Funds

The investment will be used to fund the ongoing stages of research and product development, marketing and sales development and the introduction of anti-theft products. These funds will also be utilized to create and expand manufacturing operations and capacity as sales increase over time.

9.2.3 Return on Investment

Demodulation is poised to be the dominant manufacturer in the world of anti-theft and security products. The corporate objective is to be cash flow positive in three years, and grow this revenue \$300 million Dollars (US) in five years.

Years 2006 and 2007 of the business plan will provide substantial gross profit margins and net cash flows. This will enable Demodulation LLC to consider strategic acquisitions or to be acquired by another company. An initial public offering opportunity also is possible. Either event will provide the opportunity for the investors to achieve significant returns on its investment through a planned exit strategy within 5 years.

*Demodulation LLC Proprietary and Confidential Information***9.3 Assumptions**

We expect that our market will create strong demand to allow us to grow at a rapid pace. The demand will increase as we successfully introduce our new products and technologies. The first year sales result from customer trials and beta site testing. Year 2004 will be the foundation for significant growth in 2005 that will be \$12 million and \$300 million in year 2007. This growth does not include the opportunity for encoded product that will be more than double our projected sales. This assumes we are successful in the development of encoded product technology.

- Any revenues generated from the sale of antenna/receiver (EAS) systems are not included in this plan. We anticipate that receipts from such revenues would increase sales by about 25%.
- We project we will receive income from our invoices in an average of 40 days and that we will pay for invoices that we receive in an average of 45 days.
- A seven-year depreciation schedule was used for equipment and a 20-year schedule for buildings.
- Inventory turnover once every 40 days.
- One time start-up costs of \$20 million over a 5-year period are projected.
- A capital investment of \$6.4 million in the first year of the plan.
- An additional capital investment of \$700,000 in the second year of the plan that is included in the one time start up costs. Additional expansion will be required for years 2005/2006/2007 for which the costs are included in the one time start-up costs.

9.4 Ratios

5-Year Plan Financial Ratios					
Year	2003	2004	2005	2006	2007
Cash Ratio	7.51	8.15	4.12	1.07	1.82
Quick Ratio	8.73	9.44	5.37	1.89	2.70
Current Ratio	9.50	10.37	6.37	2.41	3.18
Current Liabilities to Net Worth	0.04	0.05	0.09	0.48	0.41
Total Liabilities to Net Worth	0.04	0.05	0.09	0.48	0.41
Fixed Assets to Net Worth	0.59	0.48	0.50	0.33	0.10
Fixed Assets to Total Assets	0.57	0.45	0.45	0.22	0.07

*Demodulation LLC Proprietary and Confidential Information***10 Financial Statements****10.1 Year One Income/Expense**

Year One Income/Expense					
(in thousands)	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Revenue:					
Product/Service Sales	\$25	\$275	\$550	\$750	\$1,600
All other Sources	0	0	0	0	0
Total Net Revenues	\$25	\$275	\$550	\$750	\$1,600
Expenses:					
Cost of Goods Sold					
Management Salaries	\$75	\$75	\$75	\$75	\$300
Non-Management Salaries	\$75	\$90	\$105	\$120	\$390
Production Expenses	\$12	\$137	\$275	\$325	\$800
Other	\$12	\$36	\$60	\$75	\$183
Gross Margin	(\$149)	(\$63)	\$35	\$155	(\$73)
Management Salaries	\$128	\$128	\$128	\$128	\$504
Non-Management Salaries	\$12	\$15	\$18	\$20	\$65
Operating Expenses	\$30	\$30	\$30	\$30	\$120
Bad Debt	\$0.6	\$6.9	\$13.8	\$18.8	\$40
Contributions	0	0	0	0	0
Depreciation	\$60.7	\$60.7	\$60.7	\$60.7	\$243
Loan Payment Interest	0	0	0	0	0
Dividends	0	0	0	0	0
Other	\$45	\$45	\$45	\$45	\$180

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Total Operating Expenses	\$276	\$285	\$295	\$303	\$1,152
Pre-Tax Income	(\$426)	(\$349)	(\$260)	(\$151)	(\$1,225)
Pre-Tax (%)					(\$76)
Fed Tax Provisions	0	0	0	0	0
Net Profit	(\$426)	(\$349)	(\$260)	(\$151)	(\$1,225)